APRIL 1990

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# HispanicBUSINESS®

Ad Agency CEO Carlos Montemayor (left) confers with Chrysler Vice Chairman Gerald Greenwald on advertising strategy.

# CEOs

ANNUAL CEO SURVEY

# Hispanic BUSINESS

The magazine for growth companies and ladder-oriented professionals

Volume 12, Number 4

24

A runaway at age 14, Robert L. Cox is now CEO of World Travel & Incentives.

40

American International Container CEO Remedios Diaz Oliver has a knack for predicting trends.


### *Cover Story*

24

**CEOs Charging Into the '90s** As they gear up for the 1990s, the CEOs of the HISPANIC BUSINESS 500 speak out about the business challenges they have met, and those they are about to face.

30

**CEO Statistics** Put your finger on the pulse of the HISPANIC BUSINESS 500 CEO. How did they finance their start-up? What's their biggest business headache? What's their income? It's all in the charts.

36

**CEO Profiles** A chance to meet 10 of the Hispanic Business 500 CEOs. Learn what motivated them to start their company, how they're dealing with growth, and just what separates them from the average CEO.

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### *Business*

18

**The Little Program That Could** Management consultant Leonard Rodriguez has just two words for communities that want to become more prosperous: "Increase literacy."

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### *Consumer Showcase*

10

**Wheels & Deals** If you think trucks are just for hauling, you'd better think again. Detroit's new light trucks and sleek minivans have definitely caught America's fancy.

### *Departments*

**Direct Line**

4

Publisher's page.

**Mail Bag**

7

Reader anticipates a decade of success.

**Business Notes**

54

Abel Holtz has reason to be proud of Capital Bank.


### *Cover*

Photo by Bruce Crabb. This month's cover design by Buffalo Brothers Studios West.


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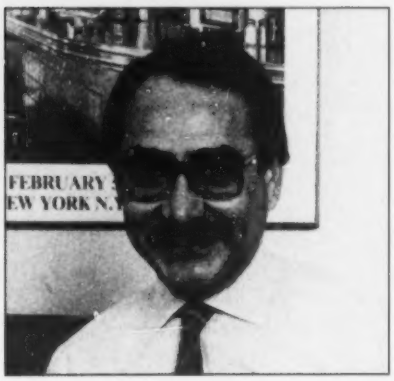
## DIRECT LINE



On Wall Street they say if you owe the bank $1 million, you have a problem, but if you owe the bank $1 billion, it is the bank that has a problem.

America's major Spanish language television network is about to put that adage to the test. Univision owes its creditors more than half a billion dollars. In fact if you leave out intangible assets, the company would have a negative net worth of half a billion dollars. And it's losing money at an increasing rate: $32 million in 1988 and $52 million last year.

When Univision didn't have the cash to make its interest payments a couple of months ago, a lot of people got awfully worried about the future of the network. Journalists and analysts from all over the country have been calling us, asking us to speculate on just how badly Hispanics would miss Univision if it went under—or "cratered," as they say on Wall Street.

And they ask one other question. Why would Univision's principal owner, Hallmark Cards, Inc., let something so embarrassing happen, if it weren't about to bail out? After all, as one of this country's biggest privately owned companies, Hallmark Cards has deep pockets and surely could have advanced its subsidiary a few million.

The truth is that for Univision as for many other major debtors, it is those who hold the notes who have a problem. For Hallmark Cards, Univision's financial mess is no morass, but rather a golden opportunity—to cash out of the junk bond market.

Two years ago when Hallmark Cards financed its purchase of Univision with $270 million in high yield, high risk bonds it used the services of Drexel Burnham Lambert, and the junk bond market was strong. But times have changed. In today's depressed junk bond market Drexel itself has cratered, and Hallmark Cards wants to buy back its bonds for just under $106 million.

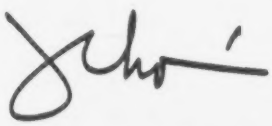
And that's not all it wants to do. Hallmark Cards, which owns 63.5 percent of Univision, has all the voting stock in the company. It is seeking concessions from First Chicago Corp., which now owns 21.5 percent of Univision, and from Continental Bank Corp., which loaned it a total of $315 million.

It seems clear that Hallmark Cards itself would not benefit from making Univision's missed interest payments: Throwing additional money at the problem would have been throwing it away, considering that the alternative was to restructure the company into a better deal for Hallmark Cards.

One question remains: why did investors purchase all those junk bonds in the first place? The answer—and the problem for Univision—is advertising. Advertising revenues for Spanish language television saw extremely rapid growth in the early and mid 1980s. Now that has slackened, and while revenues continue to increase, rival Telemundo is already taking a bigger share of the pie, and the developing Galavision network threatens to take more. That's the *real* Univision story.

The real story for Hispanic CEOs, whom we surveyed for this issue, also relates largely to finance.

Few if any of the CEOs of the HISPANIC BUSINESS 500 companies had access to junk bonds to finance their start-up. In fact for most of them self-reliance was a virtue born of necessity. The annual CEO survey tells all.



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HISPANIC BUSINESS published monthly by Hispanic Business, Inc., 360 S. Hope Ave., Ste. 300C, Santa Barbara, CA 93105, telephone (805) 682-5843, fax (805) 687-4546. ISSN 0199-0349. One year subscription price $18. Single copies $2, except for June, $3.50. Foreign subscriptions: Mexico $27, worldwide $34, payable in advance. Second class postage paid at Santa Barbara, CA 93102, and additional mailing offices. POSTMASTER: Send changes of address to Hispanic Business, P.O. Box 874, Farmingdale, NY 11737-0001. Subscription questions, call (800) 227-7585.


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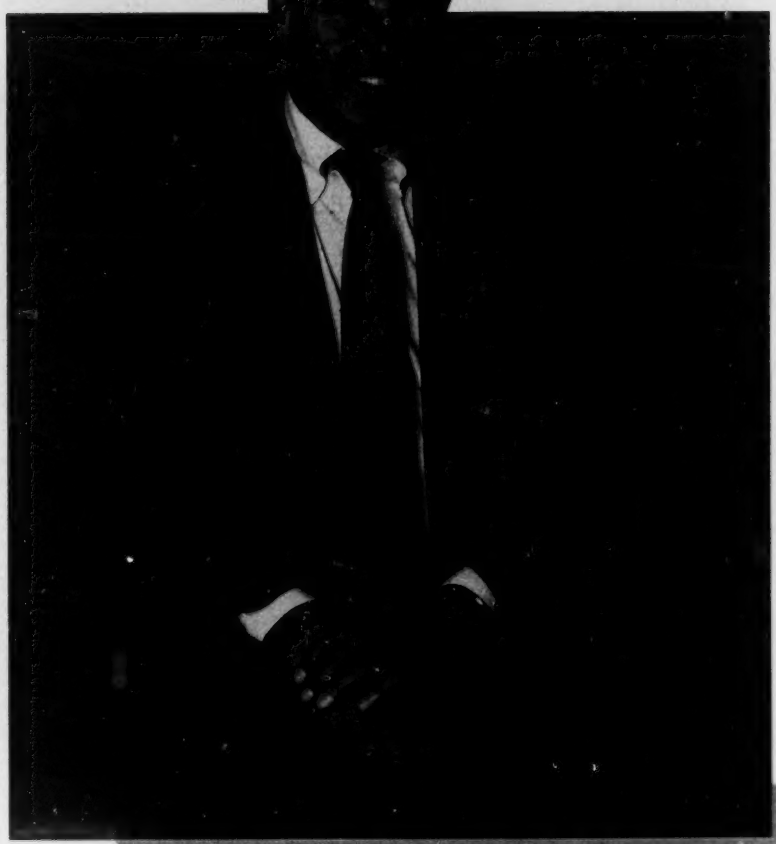
# CEOs

## Charging into the '90s

**Getting there may be half the fun, but this year's survey of HISPANIC BUSINESS 500 CEOs shows that arriving is better.**



*Bobby Cox thrives in the competitive travel industry just as he did on the football field. Who would guess that a boy who ran away from home at 14 would eventually become the CEO of a $40 million company?*

When you start your first business, the only start-up capital you can count on is your own savings and, to a lesser extent, what you get from your family and friends. That's it. Forget about the banks. Forget you even *heard* of the Small Business Administration (SBA). Banks and the SBA generally become valuable resources to Hispanic businesses only when they have become well established.

That's the view—quite possibly a dated one—held by many of the HISPANIC BUSINESS 500 CEOs we surveyed.

The scars and pains of starting up their business seem to remain fresh in the memories of these CEOs. While most of the top mainstream corporations are far removed from their entrepreneurial

days, a significant portion of the leading Hispanic-owned companies are still close to their beginnings. The median age of the respondents' companies is 15 years, since half were founded before 1975 and half more recently.

The CEOs who feel that banks—and particularly the SBA—ignored their needs may have had unreasonable expectations of the roles these institutions play. Furthermore, as a sidebar to this article points out, the perception of SBA antagonism to start-ups may well be dated. President Bush's commitment to small businesses is a world apart from that of the Reagan Administration.

And of course not every Hispanic CEO goes around criticizing the banks and the SBA. One-fourth of those who responded to our survey actually recommended banks as a source of financial assistance to start-ups. Thirteen percent suggested applying to the SBA. Nevertheless our many follow-up calls to the surveyed CEOs indicated great antipathy to these institutions.

One of the CEOs who had thought that banks and the SBA would help him when he began his business was James A. Ortiz, the chief executive of Orso Superior Enterprises Corp. in Miami. Orso, which ranks 332 in the 1989 HISPANIC BUSINESS 500, is an international commercial refrigeration and air conditioning business with annual sales exceeding $5 million.

Mr. Ortiz got the runaround, to put it mildly. "First, I went to the banks," he says. "The banks suggested that I go to the Small Business Administration. So I went [there] and they said, 'What you have to do is go to the banks and get them to approve it, and we will guarantee it, because at the SBA we don't give money to anybody, we just guarantee the loan.' So I said, 'Once I get approval from the bank, I come back to you?' And they replied, 'No, they will contact us. However, there is no money allotted for any more guarantees now. There is only a waiting list.'"

After that Mr. Ortiz went back to the banks again. They told him they couldn't help him then but offered, "After you've been in business for a couple of years, why don't you come back?" "I felt like telling them, 'Either I won't need you any more then, or I will be out of business,'" he recalls.

Mr. Ortiz used only his own funds plus what he could borrow from friends. He had just $50,000 to get started with. He realizes now that his business was badly undercapitalized and that it was just good luck that Orso survived. Now, with a $500,000 line of credit available at one bank and $400,000 at another, Mr. Ortiz says the bankers keep coming to him and asking whether he needs more money. He may be a bit bitter. Now he tells them, "To hell with it—when I needed [a loan], you people were not ready for me."

Another CEO who used his personal savings to start his business was Juan Portillo of Tramex Travel in San Antonio, Texas. He noted on his questionnaire that "There is very little outside financial assistance for small start-up businesses." But, unlike Mr. Ortiz, Mr. Portillo says that he doesn't blame the banks.

The crux of the problem, as Mr. Portillo sees it, is that while business owners are good at the technical "or *doing* part" of their businesses, they don't do a good job of developing short- and long-term plans. "Financial institutions are willing to take more of a risk if you have a [financial] plan," he feels, "than if you just walk in and say, 'Gee, I want to do this, and I've got a good business plan, but I'm not really sure how I am going to finance it. I need you to lend me the money.'" Such an approach, he says, is sure to be rejected. "Banks are just not in business to make bad loans."

Mr. Portillo speaks from experience, because he didn't have a financial plan when he started Tramex Travel in 1984. "If I were to do what I did five years ago," he says, "it would be done totally different today. I sold two homes and then started buying things, paying cash for everything. If I had taken that money and leveraged it, my first year in business would have been a lot easier. Because people are willing to lend to those who have resources. And I had resources, except that I wasted them. I turned them into resources that were not acceptable for financ-

## Let Me Count the CEOs

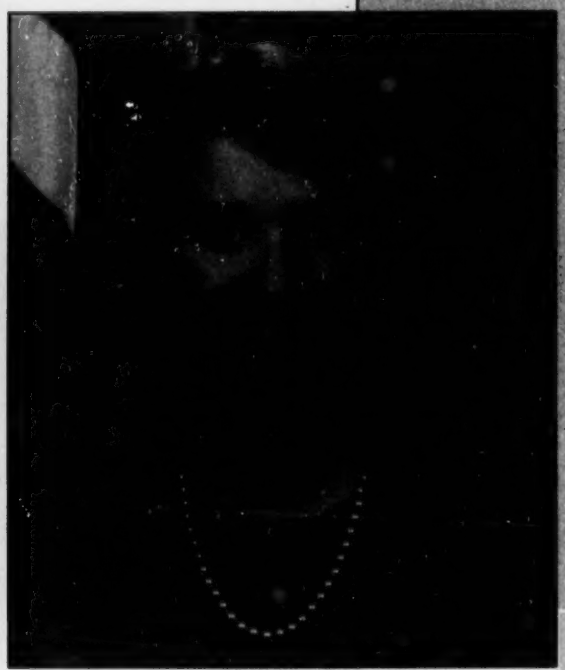
HISPANIC BUSINESS sent two-page questionnaires to the CEOs of all the 500 largest U.S. Hispanic companies. We then tabulated the results of this survey for 25 percent of the 500—125 individuals. Statistically speaking this means that there is a 95 percent chance that the sample is within .09 percentage points of the true value for the overall group. And that means the percentages we report here provide a quite accurate profile of the 500.

Many of the CEOs provided detailed responses. And, after our editors analyzed these comments, they followed up with interviews of a sampling of the sample. The interviews provided extensive illustrative material that we were able to draw upon here.

ing purposes. I bought furniture, computers, a company car, and I paid cash."

Pedro Vasallo, the CEO of Vasallo Construction, Inc. in Miami, agrees that Mr. Portillo made a mistake in buying all new equipment. Mr. Vasallo's solution was to rent a cheap warehouse and buy used equipment and furniture.

Like Mr. Portillo, Mr. Vasallo thinks that people starting new ventures aren't likely to have a financial plan. "Maybe he has some technical know-how, or some education in the field he's going to do it in, and drive. But it's very difficult with just those items to walk into a bank and get anyone to talk seriously to you. Banks will talk to you once you *do* have capital."



***As administrator of the Small Business Administration, Susan Engeleiter has the support of President Bush to breathe new life into the moribund agency.***

About one-fifth of the sample—19 percent—say obtaining financing for *continuing* operations and growth is their biggest single business headache today. That's a dramatic increase from the 11 percent who expressed this view last year.

Still, capitalization problems are almost ancient history for the majority of the CEOs. While they may have retained the memories of their difficult times at the beginning, most are doing extremely well these days. For example, 29 percent of them

## SBA Comeback

Since many of the CEOs told us the Small Business Administration (SBA) was of little use to start-up businesses, we decided to raise this issue with the SBA. And who better to ask than the administrator herself, Susan Engeleiter? We also sought the opinion of a man who stays in close touch with the SBA—the President of the Latin American Manufacturers Association, Albert S. Jacquez.

Ms. Engeleiter says the negative view these Hispanic CEOs hold of her agency is a "misperception, because we definitely do start-ups, through two financing programs." One of these is the 7(a) program, which guarantees long-term debt financing. The other involves equity financing made available through corporations funded partly by private sector capital. These are called Small Business Investment Corporations (SBICs). Others, devoted particularly to minorities, are called Specialized Small Business Investment Corporations—and are popularly known as Minority Enterprise SBICs or MESBICs. However, these two programs "didn't flourish as much as we would have liked during the 1980s," Ms. Engeleiter says tactfully. While she indicated that she would try to find out how many of the 180,000 currently outstanding 7(a) loans went to start-ups, we had not received that information at press time.

She admits that "there does seem to be a void for people who need a modest amount of money, and there are some financial disincentives for banks to do these really small loans." However, she says the SBA has recently started offering banks financial incentives to make smaller loans of $50,000 to $100,000.

Ms. Engeleiter responded to the charge that CEOs sometimes get the runaround from her agency by noting two new programs for preferred and certified lenders. These programs "have alleviated the problem of people shuffling back and forth between their bank and the SBA," she contends.

It appears the basic reason the SBA has changed is that we have a new president. Ms. Engeleiter notes that she "was directly asked by President Bush to pay special attention to assisting minority-owned and women-owned businesses."

President Bush's support for the SBA is a fundamental change from the open antagonism expressed by President Reagan, Mr. Jacquez says. The SBA was overburdened for the past eight years, and "The Reagan administration was not a friend of the SBA," he says bluntly. "They wanted to cut the SBA completely out of the budget. And they did that. They submitted two budgets with the SBA zeroed out. There's been a remarkable change."

Putting the best light on it, Mr. Jacquez says the activities for which the CEOs criticized the SBA took place during a period of nonsupport for the agency. "I know for certain that the antagonism is no longer there," he concludes.

own at least one Mercedes Benz. Cadillac was not far behind with 22 percent, and BMW came in third with 13 percent. But only three of the respondents said they owned a Rolls Royce.

This year an even bigger problem than financing is "the competition." A whopping 25 percent of the CEOs who responded to the questionnaire find competitors to be their "Excedrin headache." Last year only about 15 percent figured the competition was the culprit, making the change a remarkable 10 percent during 1989.

Doesn't it seem that everybody's talking about competition more and more? Competition within your industry, competition from the Japanese,

## The Average Hispanic Business 500 CEO

- Has a fax machine and six computers.
- Doesn't plan to expand into new products or markets, but expects gains next year.
- Does not sub-contract for private firms or the government.
- Thinks it is important to belong to Hispanic business groups, but doesn't.
- Started the company from personal savings and recommends this for new start-ups.
- Used legal assistance only during incorporation.
- Says the competition is the biggest headache.
- Spouse works for company and they make more than $100,000 a year.
- Family has three cars; one is a Mercedes Benz.

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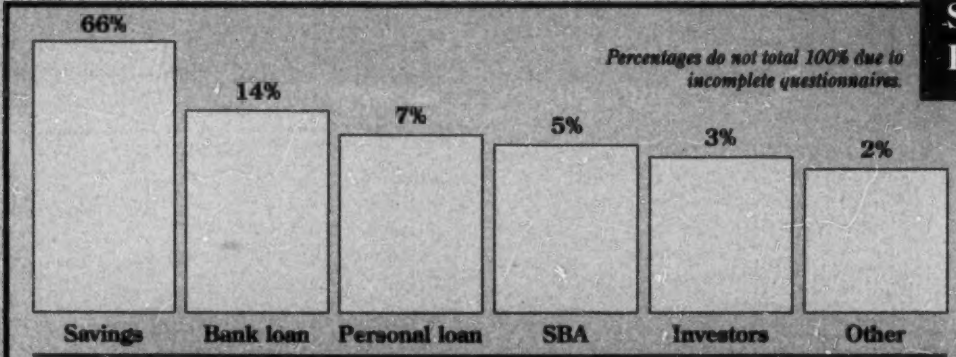
## Start-Up Financing




*Percentages do not total 100% due to incomplete questionnaires.*

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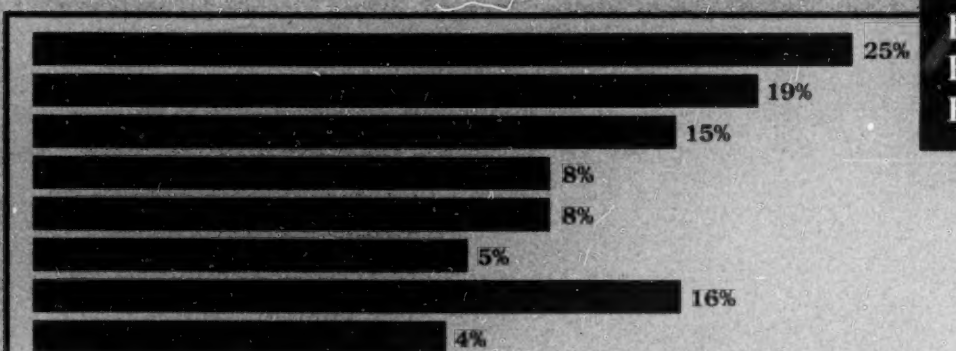
## Biggest Business Headaches

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competition ad infinitum. Maybe we should accept these years as the "competitive '90s."

For Robert Arranaga, CEO of Robert Arranaga & Co. in Los Angeles, the competitive problem is that his firm, a wholesale food distributor, sells the same products that his competitors sell. "Only two factors separate us," he says. "One is that we specialize in Mexican restaurants, and the other is our service factor." The company's expansion efforts, therefore, focus on "kitchen-to-kitchen" referrals. "If you do a good job for a guy and he goes to another restaurant, you'll stay at the first place, plus he'll take you with him to the other place."

Competition in the travel industry is just as in-

## Household Income

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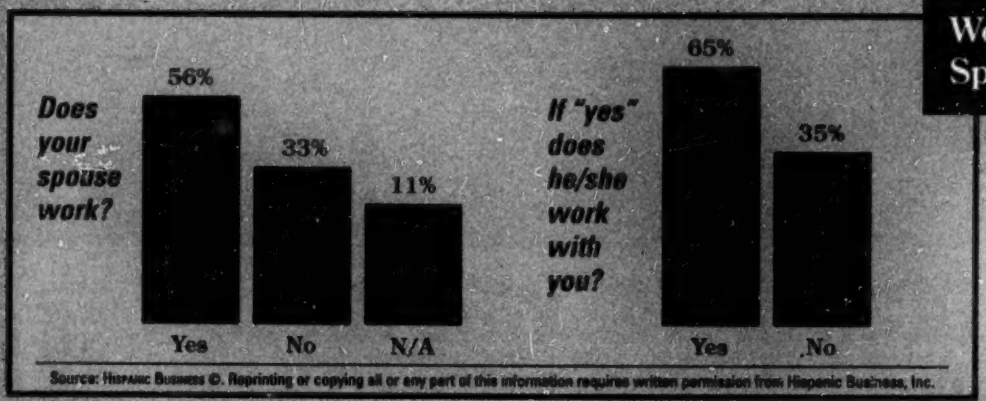
## Working Spouses

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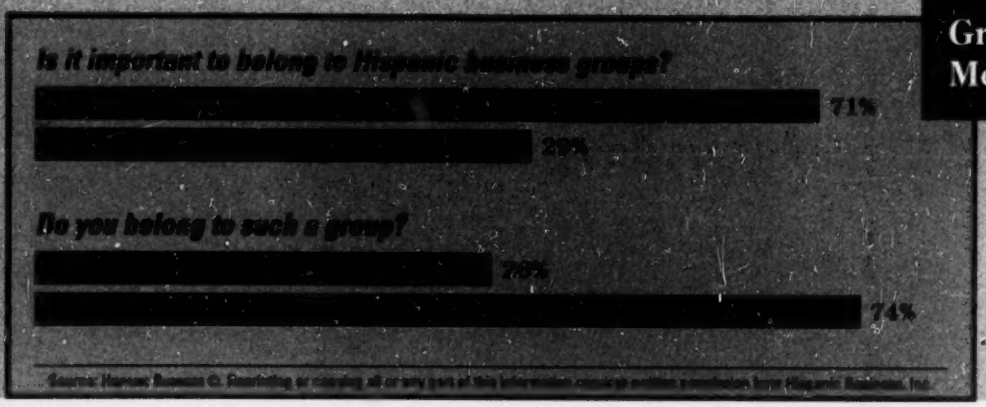
## Group Membership

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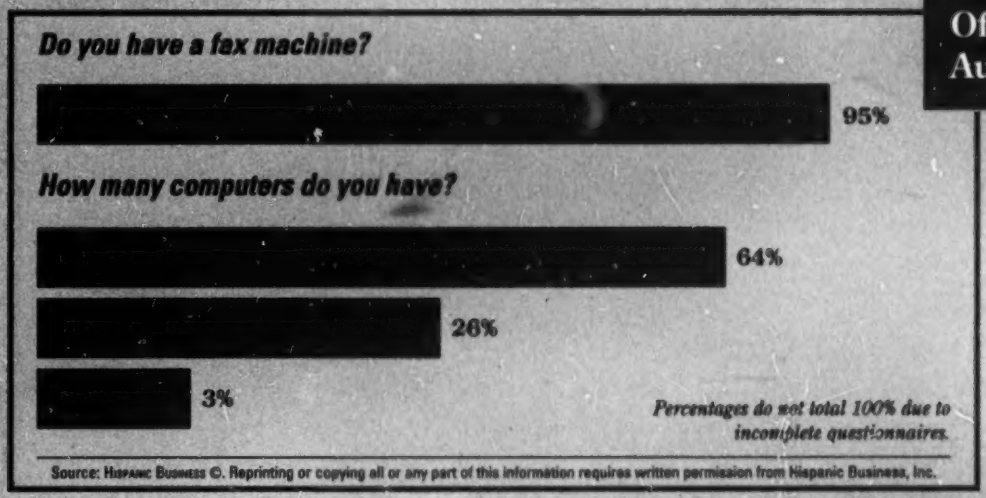
## Office Automation

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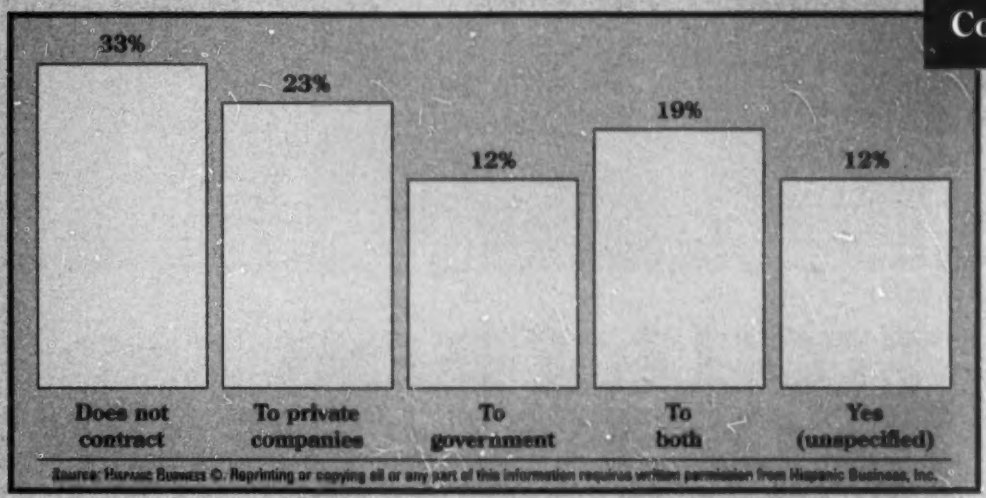
## Contracting

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tense. Maybe it was never laid back, but it is positively fierce today. While travel may be a vacation for the customers, carrier deregulation and constant changes in agents' equipment and technology make it an unrelenting contest for the people in the business. Because Robert L. (Bobby) Cox is such a competitive person, he may be ideally placed as the CEO of World Travel & Incentives in Minneapolis. With $39 million in sales last year, his company ranked 48 in the HISPANIC BUSINESS 500.

This hard-driving son of an Irish father and Mexican mother ran away from the Watts district of Los Angeles when he was 14. Making his way to Walla Walla, Washington, he convinced a series of families to put him through school. Ever the competitor, he became a star college quarterback and was subsequently featured by *Sports Illustrated*.

When Mr. Cox started his own travel business in 1975 he recognized that he would have to gear up to match the equipment and technology that his bigger competitors had. "It's the kind of business where if you are going to be in it for the long run you've got to make some investments, and that means buying and hiring. Then, we do a good job training our people and offer an employee stock ownership program," he points out.

But for many of our CEOs the toughest challenges are closer at hand. "My worst competition is myself," says Rafael Galindo, the owner of the Galindo Financial Corp., a real estate brokerage in Bell, California. "When I am not in a good mood, I am really bad on myself." At least Mr. Galindo can be sure he will win when he decides to fight that kind of competition.

# Carlos Montemayor

**Montemayor y Asociados**

*San Antonio, Texas*

By Rick Mendosa

Deep in the heart, far from the media barrios of the East and West coasts, a creative group of companies is putting its brand of Texas Hispanic advertising on the national map. Whether large or small, affiliated with important national agencies or independent, these entrepreneurs are winning national accounts from America's biggest companies.

One of this group headed the 1989 Hispanic Business list of Top 10 Hispanic Advertising Agencies (December), and four other Texas agencies probably ranked in the Top 20.

One of these mid-tier advertising agencies, Montemayor y Asociados, has a reputation for strength in both promotional and media campaigns. This San Antonio agency competed head to head with some of the biggest names in the business, emerging from the battle with a prestigious prize—the Chrysler account for the entire Hispanic market.

Montemayor is the only Hispanic-owned agency that has won a domestic car account. General Motors still uses mainstream agencies or other minority agencies to reach the Hispanic market. Ford uses Mendoza, Dillon, which is WPT's Hispanic arm. Lincoln-Mercury places its advertising through the Hispanic branch of the black-owned Uniworld Group.

"The Texas shops all seem to be able to win national business," says Jack Feuer, editor of *The U.S. Hispanic Report*, a Hispanic advertising newsletter, "and Montemayor is no exception. People still think of Los Angeles as the most dynamic Hispanic agency market. While that may be true in terms of sheer size, you can't deny the success of Montemayor and the other Texas shops in picking off the big national names."

How can a Texas firm that ranked 295 on the Hispanic Business 500 last year compete successfully in the main arena? What gives Montemayor y Asociados such influence beyond its size?

The answers are largely contained in the experience of Carlos Montemayor, CEO of Montemayor y Asociados. In this 44-year-old Texas native, Chrysler found the right blend of Hispanic culture, advertising smarts, and knowledge of the automotive industry. Raised on both sides of the Texas-Mexico border, Mr. Montemayor was pushed by his parents into learning English to further his education—while speaking Spanish at home "to keep up with the culture and because we had family in Mexico," he says.

Just out of Northwestern University in the early 1970s, he landed his first job with the Campbell Ewald agency in Detroit. His assignment: work on the Chevrolet account. A short while later he switched agencies, to Ross Roy, Inc., and in the process switched car makers, to Chrysler. This early experience with Chrysler was important to Mr. Montemayor's career in more ways than one. Not only did it introduce him to the company that years later became his biggest client, but it led him into the still very young world of Hispanic advertising.

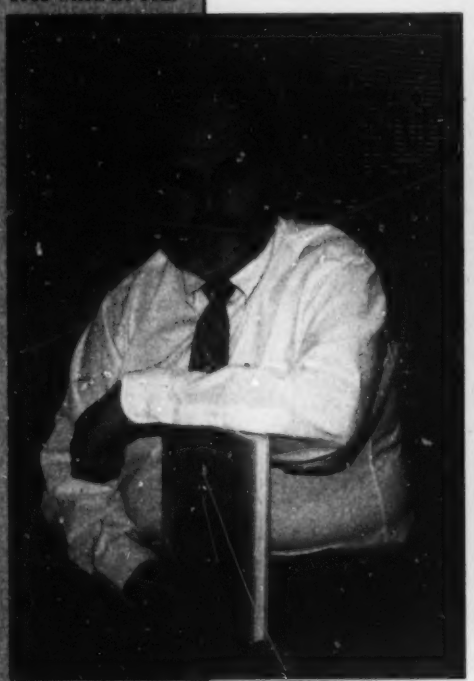
Back in Texas to work on a Chrysler project, Mr. Montemayor was contacted by a Dallas agency seeking Hispanic representation. "That was the first I had even started thinking about it," he recollects. Soon thereafter Mr. Montemayor returned to Texas and in the early 1980s joined Ed Verdang, the first Texas agency to specialize in Hispanic marketing.

By 1983 he had "the entrepreneurial zeal" and started his own business with "no accounts and no employees, just a lot of hopes." After running on a shoestring for more than two years, Mr. Montemayor made his breakthrough in May 1985 when he competed against 12 other advertising agencies to win a hefty $250,000 Pepsi-Cola account.

Meanwhile Chrysler was looking for agencies to handle its minority business. "The most promising agencies came to us in tandem," says Joe Hickey, Chrysler's manager of corporate advertising. Montemayor y Asociados had formed an alliance with the black-owned New York agency of Lockhart & Pettus to bid on other business. "They presented for our business," Mr. Hickey says, "and the chemistry was just right. We were impressed with Carlos's background. Liking his credentials, we decided to get hitched."

While Chrysler continues to be Mr. Montemayor's major client, neither he nor Mr. Hickey will say exactly how big that assignment is. Mr. Montemayor does report that his company's total capitalized billings in 1989 were $6.8 million, and that Chrysler has "significantly increased its efforts since 1987." Mr. Hickey says, "I don't quote numbers," but implied that the account was over $2 million.

As the Chrysler account continues to increase, CEO Montemayor keeps asking himself how his agency can best grow overall. The trend among Hispanic-owned agencies is affiliation with mainstream agencies. They have not overlooked Mr. Montemayor's company. If he does affiliate he won't sell more than 49 percent, Mr. Montemayor says, because both for him and his clients, "It's important to keep a Hispanic-owned shop."



*Carlos Montemayor's advertising agency is one of a group of Hispanic shops in Texas now competing successfully for national business. Key clients include the Chrysler account for the entire Hispanic market.*

# Remedios Diaz Oliver

**American International Container, Inc.**

*Miami, Florida*

By George Volsky

In the movie "The Graduate," a young man about to enter the job market a generation ago got three words of advice: "Plastics, plastics, plastics." But looking at the future today, one top executive in the container industry, which is a major plastics consumer, says "Glass, glass, glass."

"Glass is coming back as a container favored by many, including doctors, for both health and environmental reasons," says Remedios Diaz Oliver, president and chief executive officer of American International Container, Inc., (AIC) of Miami. Ms. Diaz Oliver regards the ability to forecast trends and adjust to change as the key to success in any business.

This challenging philosophy has helped to make her family-owned firm the largest distributor of containers in the Southeast, and "the biggest container exporter in the United States," according to Ms. Diaz Oliver. Her husband Fausto and two adult children also work in the business.

Last year AIC grossed more than $76.4 million—10 times its sales in 1976 when it first began operating out of a trailer. Today the main Miami offices and warehouse occupy 140,000 square feet. Other large warehouses serve in Tampa and Orlando, Florida and Montgomery, Alabama. The company employs 169 persons in these U.S. operations, and has opened several additional offices abroad.

"Although our foreign sales account for 40 percent of the total, and we have clients even in New Zealand, the core of our business has always been the stable and expanding domestic market," Ms. Diaz Oliver explains. And competition for that market is tough. "At least half a dozen companies [also privately owned] compete with AIC," says Brett Enmer, head of Emco Container Corporation of Miami. "Ours is a very competitive business and there are many very able and tough individuals who fight to be number one."

AIC's 50-year-old Cuban-born president holds a doctorate degree from the University of Havana, and is regarded as one of the most prestigious business and civic leaders in Florida. Her company employs a roughly even mix of Hispanics and non-Hispanics, and has "broken through the ethnic barrier as far as the clientele is concerned," says Ms. Diaz Oliver.

The largest of AIC's 5,000 clients are Coca-Cola, Pepsi-Cola, Palmolive, Revlon, and many cosmetic, chemical, and pharmaceutical corporations. AIC sells more than 5,000 types of containers, ranging from quarter ounce perfume bottles, some of which cost several dollars each, to inexpensive plastic bottles and jars of all sizes. The company represents more than 100 of the biggest American container manufacturers, among them Owens-Illinois, Standard Container, and Brockway, and their foreign subsidiaries.

The larger clients are served directly from the producers' plants. Others receive containers from AIC warehouses. Sales representatives, Ms. Diaz Oliver says, advise clients on how to design containers and labels (AIC has its own design department), how to develop new lines of products, and how to apply the latest federal and state packaging regulations.

"Because our sector is versatile and complex," she explains, "the need to educate and inform our clients is fundamental. In addition to the rapidly changing rules, there is a new public perception of packaging. For example, our research indicates that some products packaged in opaque plastic containers do not sell as well as the same goods presented in transparent glass. We also check in our laboratory the chemical compatibility of containers and their liners with the products in question."

AIC's policy is to see that the containers they export are manufactured according to the highest American environmental and health care standards, says Ms. Diaz Oliver. "In some countries there are virtually no packaging regulations, which makes substandard types of containers legally acceptable there. But we sell only U.S.-approved products, even if sometimes they are more expensive."

*Remedios Diaz Oliver has worked hard to build her company into the "biggest container exporter in the United States," while achieving a high public profile on the national, state, and local levels.*

Ms. Diaz Oliver believes in a steady, conservative approach to corporate growth. "We have had many offers that would have quickly doubled our sales," she says. "We now have a partnership proposal to introduce us to the huge California market. But we prefer to move cautiously, expanding our operational base in the Southeast. This policy has proved absolutely correct for us since the beginning."

Business has indeed been "very good," largely due to the firm's dedicated employees, Ms. Diaz Oliver emphasizes. She herself works an average of 60 hours a week in her business, and devotes many more hours to social and cultural activities on the local, state, and national levels. In 1988 she was the first woman to be given the Excellence Award by the President and the Secretary of Commerce for outstanding performance in expanding U.S. exports, and in 1984 she was named Outstanding Woman of the Year by the American Red Cross.

# Carlos E. Hurches

**Scion Steel, Inc.**

*Warren, Michigan*

By Rick Mendosa

Some CEOs are hard to reach. Protected by a formidable phalanx of aides and secretaries, they sit alone in their plush offices, isolated and immune to the distractions of the outside world. That, however, is far from the style of Carlos E. Hurches, CEO of Scion Steel, Inc., in Warren, Michigan, a suburb of Detroit.

Mr. Hurches would like to sell you steel so much that if you want to buy, you can call him direct at an 800 number. In fact when we called him on that line, he was so accessible that we were put right through to him without the usual questions about who we were and why we were bothering him.

Mr. Hurches knows that sales is a numbers game: perhaps 10 presentations will equal one sale. He makes lots of presentations. Even though Mr. Hurches now heads his own company, he likes to sell, and he personally handles about a dozen of Scion's most loyal customers. Mr. Hurches owns 51 percent of the company, and his partner Richard Costantini owns the rest. They both spend the bulk of their time in sales, along with three outside salespeople. The company, which ranked 185 in the 1989 HISPANIC BUSINESS 500 and did $13 million in sales last year, has a total of 24 employees.

Scion buys steel from mills around the country and distributes it from a 16,000 square foot warehouse. Mr. Hurches learned his business in the best possible way—during eight years as a salesman for one of the steel mills that he now buys from. He went to work for the Northwestern Steel and Wire Company near Chicago just after graduating from Northern Illinois University with a degree in business administration. "Northwestern Steel gave me a hell of an education," he emphasizes. That job included calling on distributors throughout the state of Michigan and in parts of Ohio and Indiana.

The job may have given him a fine education, but being away from home three nights a week was tough on family life. When the first of his three children was born, Mr. Hurches was stranded in northern Michigan. "I got tired of hotel rooms," he recalls ruefully.

The problem with starting his own business was money. Mr. Hurches raised $15,000 by taking out a second mortgage on his house, and his partner put up a matching amount. But that was all they could scrape together. Fortunately, in 1984 when they started, the steel business was going strong. "We were pretty dumb," he reflects. "If somebody said he was going to try it with $30,000 now, I'd tell him, 'You're nuts!'"

The only reason they had been able to begin with so little capital was that they started as brokers. In other words, first they sold the steel, then they bought it. But what really helped was all those years on the road getting to know the customers. Because of that, Mr. Hurches knew who would pay their bills promptly. Even now, he says Scion Steel has written off a total of less than $2,000.

Although Scion is in the Detroit area, Chrysler is their only direct automotive customer. Most of their inventory goes into construction. Scion is a subcontractor for General Motors' new Saturn plant in Spring Hill, Tennessee. The company's inventory currently exceeds $3 million, consisting of steel in thousands of shapes and sizes. A lot of it is wide-flange beams, which are huge support columns in lengths of up to 50 feet. "And then you get those little bars that look like spaghetti," Mr. Hurches explains.

Detroit has a smaller Hispanic population than the Chicago area, where Mr. Hurches's parents settled after leaving El Salvador half a century ago. One of his few activities not directly connected with work or family is his membership in the Hispanic Business Alliance (HBA), which includes the owners of about 50 businesses in the Detroit area. According to his banker, Eric Fornasiero, "He is serious and driven and concerned about his business—but he's not somber or heavy."

Even though Detroit is a long way from Chicago, Mr. Hurches retains strong ties in that city and within Northwestern Steel and Wire. His father, Guillermo, retired from Northwestern four years ago after nearly 40 years as a pipe fitter, and his uncle, Robert Gomez, still works in the furnace department. The beams in GM's Saturn plant come from Northwestern. Even the name of his company reflects his ties. One meaning of scion is "a detached living portion of a plant." The plant is Northwestern, and Scion Steel is living quite well these days.

*Carlos Hurches of Scion Steel is every bit as serious as he looks standing here in front of one of the company trucks, according to those who know him.*

**Charging into the '90s**

# Robert Ontiveros

**Bi-State Packaging, Inc.**

*Milan, Illinois*

By Maura J. Mackowski

Growing a healthy business is a lot like cultivating that proverbial oak from that tiny, tiny acorn. Robert Ontiveros understands the value of solid roots, careful tending, and strong growth. He relied on all three to develop Bi-State Packaging, Inc., of Milan, Illinois into a thriving $9 million-plus bulk packaging distributorship.

Mr. Ontiveros put down the right financial roots when his attorney and high school friend introduced him to the banker he still works with today. His first key accounts were two Midwest enterprises he had called on in his six years selling for another packaging firm—the John Deere and Caterpillar corporations. Both large farm implement manufacturers fit well with his plan to target *Fortune* 500 companies that were willing to work with minority enterprises.They also were ideal for a supplier whose target market radius was 100 miles from home base.

Anyone who recalls what befell the farm implement industry in the early 1980s can guess what happened next. "I was just beginning to grow a little bit and get over those first few years of start-up, and the farm equipment industry went into the tank," Mr. Ontiveros remembers. "In 1981 I was doing a million dollars with Caterpillar, and they closed two factories that I was doing business with. My sales went from a million one year to $200,000 the next."

His decision to reach beyond the original 100-mile marketing radius kept Bi-State Packaging in the black. By cultivating contacts at three or four trade shows per year, Mr. Ontiveros got in touch with the people he needed to build his business to just under $10 million dollars in 1989. "I've found making contacts at the U.S. Hispanic Chamber of Commerce convention to be extremely effective," he suggests. "The very first one I went to, I was able to secure business with Adolph Coors in Denver. Last year we did over a million dollars with them. I went to the Chamber meeting in Washington in 1988 and was able to meet Eastman Kodak. Last year we did about $700,000 to $800,000 in sales with Kodak. This past year through the Chicago Purchasing Council I was able to do some business with Alcoa, and with General Foods and Kraft locations I hadn't served before."

Despite the pruning his farm implement business underwent, Mr. Ontiveros maintained his relationships with John Deere and Caterpillar. According to Linda Hook, senior buyer for the John Deere Parts Distribution Center, several factors gave Bi-State the edge over its packaging competitors.

"Every time I would get several different items out for bid at the same time," she explains, "I could see there were savings to be gained by having [Bi-State] control more than one product. They have their own trucks and do a lot of our warehousing, and they make a lot of deliveries for us so we can keep our inventory levels low. Every quarter they send me a computer printout that tells me, by commodity, how much they sent to whom. That's a wonderful tool for me to use as a buyer."

Mr. Ontiveros's long standing relationships with his early customers also paid back dividends in the form of R & O Specialties, Inc., a spinoff that now employs almost twice as many workers as Bi-State. R & O began by repairing damaged parts for the John Deere and Caterpillar companies, and now essentially performs the final steps in the parts manufacturing process—sandblasting and painting—as well as packaging and shipping. The new company, which is run by Mr. Ontiveros's uncle, is doing very well, with 65 employees and about $2 million in sales.

Yet a third branch does contract consumer packaging for the Philip Morris, General Foods, and Eastman Kodak companies.

In the 1990s, Mr. Ontiveros sees his industry facing the challenge of producing environmentally friendly packaging. Sales of products that degrade in landfills, require less energy to produce, and create less air and water pollution will allow Bi-State Packaging to continue its growth and even improve its bottom line, he believes. "I don't think the amount of packaging sold will be less, I think it will be in different forms. In fact, since some of the plastic packaging items have become commodities our profit margins on them are very low. So maybe with this new emphasis on the environment we'll actually be able to increase our profits.

"We're trying hard to stay ahead of technology to be a low cost producer," he adds. "We're investing in a new computer system so we can do business with those big *Fortune* 500 companies. It's not a charity; they'll do business with us if we're competitive. If we cease to be competitive, they'll go somewhere else. We realize that and we don't give a half-hearted approach, we go for it.

"That's been a characteristic of my whole life. That's how you get ahead."

***Robert Ontiveros has built a flourishing distributorship by nourishing long-term personal relationships with his lawyer, his banker, and people in the corporations he first served as a salesman for another firm.***

# Armando C. Chapelli, Jr.

**Washington Consulting Group**

*Washington, D.C.*

By Rick Mendosa

Armando Chapelli got fed up. His company, Washington Consulting Group (WSG), had gone through six or seven banks in 11 years. It was ridiculous, he thought, that a company with an excellent credit record, consistently operating in the black, couldn't maintain good banking relationships. WSG needed up-front capital for its ever bigger contracts, but bankers, unfamiliar with his business, often balked at advancing funds.

"So I started a bank," Mr. Chapelli told HISPANIC BUSINESS. "I got tired of that b.s. Last year I went to the people putting together the George Washington National Bank in Alexandria, Virginia, and WSG became an organizer, founder, and shareholder."

While Mr. Chapelli owns only 2 percent of the bank and his company another 3 percent, it's the principle that counts. That, and the leverage his new position gives him with other lending institutions. "It's a security blanket in case my current banker doesn't want me to grow," he says.

Growth capital has been Mr. Chapelli's number one problem from the beginning. When he decided to market his ability to solve high-tech problems for the government back in 1979, he had to wait eight months for the first job. By then his money was gone. He had started WSG with no savings, quitting his job with another consultant one day and starting his own business the next. All he had was $3,000 borrowed from his mother, an office in his girlfriend's car, and unemployment compensation from the government. "I know it sounds corny," he says, "but I was down to my last dollar, and thought I'd have to close the next day."

That day he got his first purchase order. The Department of Transportation asked him to write a guide for public transit authorities to sensitize them to the special needs of people with disabilities.

The job paid $10,000. But he needed a bank willing to convert the purchase order into ready cash.

At first, it worked. He assigned the receivables, and they lent him 80 percent. But when he went back a few months later with a bigger contract, they weren't interested. He found another bank that was. "And then we started seriously growing and needed more credit. When we went back, they told me, 'You can't grow any more. We won't let you.'" What? "Believe me," he says, "that's exactly what bankers think. They're used to hard assets that they can sink their teeth into. When you offer paper, they don't understand it."

Eventually he found financing at yet another bank. But he realized he had to become as independent of bankers as he had of bosses.

Because Mr. Chapelli got fed up with bosses first. "I never found a company that had human, reasonable, and professional policies," the soft-spoken CEO explains. He was uncomfortable with the environment in most of the places he worked and was determined to make his business pleasant for everyone.

He didn't, though. "It had been such a Darwinian, dog-eat-dog start that I felt that I shouldn't have to babysit people," he recalls. So he told them, "Here's your job—good pay, good conditions, good benefits. Go do it, and don't bother me and I won't bother you." It was a formula for disaster. What people need, he discovered, is employers who care. "Discovering that made me a better person." It also made him a much happier one, he says, because as a result he truly enjoys working with his colleagues.

With 270 colleagues in his company now, Mr. Chapelli has lots to be happy about. Importantly he meticulously keeps promises to those employees, says Glen Whitwer of Quinn, Whitwer & Company in Bethesda, Maryland. "He's a man of his word," Mr. Whitwer states. "In the business world of the Washington-Baltimore area, he's rare in that level of integrity. That accounts in large measure for his success."

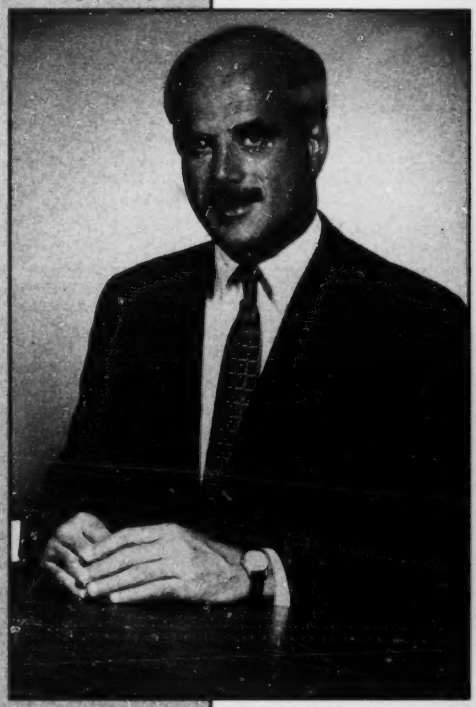
Mr. Whitwer once worked with Mr. Chapelli and now consults to small businesses, including WSG.

Mr. Chapelli describes himself as a self-confident person, motivated by an aversion to fear. As a boy growing up in a dangerous Cuba, he became fed up with fear. "I didn't want to be scared any more," he says. He arrived here in November 1960—after scaring his parents. One night he told his mother that he had just bombed the Hilton Hotel. "She still thinks I did it," he laughs. The family got their visas the next day.

Mr. Chapelli isn't content merely to manage his business. He's determined to see it grow past $30 million per year, where it will no longer be so vulnerable to increasingly serious competition. Contracts are now $19 million a year, and WSG ranks 114 in the HISPANIC BUSINESS 500.

It's far from start-up, but Mr. Chapelli says his company remains entrepreneurial and that he never stops behaving as an entrepreneur. "If I did, I'd go out of business," he insists.

And he'd probably be fed up, too.



*When Armando Chapelli, the CEO of Washington Consulting Group, gets fed up, he makes sure things change.*

# Mitchell A. Meana

**SOS Office Systems, Inc.**

*Pinellas Park, Florida*

By Sandra G. del Villar

Mitchell A. Meana tells his employees when their work stinks. He says overlooking errors can kill a business, and reminds workers of that by passing a dead skunk to the worst sales branch every month.

"In sales meetings you tend to praise the good and ignore the bad," says Mr. Meana, president and chief executive officer of SOS Office Systems, Inc., of Pinellas Park, Florida, which sells office computers and copier machines.

The stuffed skunk is presented to the sales manager of the worst branch and must sit in that office for a month. It forces them to "own up to being the worst," laughs Mr. Meana, whose business should reap revenues of $15 million this year, up from $12 million in 1989, when it ranked number 187 in the HISPANIC BUSINESS 500 listing.

"The skunk is the pits," groans Sarasota branch sales manager Pete Brister, who had the skunk in January. "I never want to see it again. Never." Mr. Meana says his tactics may be blunt, but prove inspirational to his 150-member staff. "It's a great motivator. We've never had anybody get it two months in a row."

He gives his father, Al Meana, credit for his curt management style. The elder Meana founded and still owns SOS, which has a string of seven branches extending south from Atlanta to Naples, Florida. While Mitchell has been holding the company's reins as CEO for two years now, the father's hard driven entrepreneurial spirit still dominates the business.

"He's a unique person," son Mitchell Meana concludes. "He's a dreamer. But he has a realistic enough view of the world to know what has to be done to make his dreams come true." Those dreams started materializing for the elder Meana only in 1972, when with a family of six and after a 21-year career in the Army he scraped together $900 to found SOS.

Both father and son talk of how conforming to the customer's needs is the key to success. "The one thing I learned, primarily from my father," SOS's CEO emphasizes, "was that whatever the client needed was what the client got."

For example, when one employee concluded it was impossible to build a copier customized to a particular client's needs, Mitchell Meana—then the general manager—went out and bought $94 worth of parts. He fiddled with the machine until morning, and by office hours had it working.

"We're saying if you don't get out and do the work, if you don't set yourself apart from the other people, how can you expect to be any more than what you are?" Mitchell Meana asks emphatically. That's where the skunk comes in, he explains. It forces employees to do the research needed to find out what will please their customers. In fact, he says, his sales managers should feel lucky. His first idea was to give them a live pig.

Another key to SOS's success is reinvestment. Speaking from his waterfront mansion on Shell Island near Tampa Bay, millionaire Al Meana recalls the business's early years, when he paid himself the same as his staff—$100 a week. In those days he funneled most earnings back into the business to buy higher quality copier machines, rather than increasing his own salary. He believes many entrepreneurs fail because they pay themselves too much and forget about paying the business. "First they pay themselves, and if there's anything left over for the business, fine."

In fact much of the company's growth came from reinvestment. Their strategy for expansion was to buy their competitors—sick companies they believed could be revived.

*Mitchell Meana (right) and his father, company founder Al Meana, believe success depends on working continually to find out what customers want. Their sales incentive system is highly unconventional, but effective.*

All in all SOS has bought part or all of seven companies in Florida and Georgia. Mitchell Meana says many of these were failing due to management deficiencies. For instance, when the company bought Accusystems of Georgia, Inc., in 1986 they paid $200,000 cash and assumed $200,000 in liabilities. Today approximately 50 percent of SOS's sales—or $6 million—are directly attributable to the acquisitions. And another benefit, Mr. Meana chuckles, is that buying your competitors does "get them off the street."

The Meanas are still investing for growth. Just last year the company established SOS Electronics, Inc., a discount electronics warehouse in St. Petersburg, Florida run by brother Greg Meana. Their initial investment in this subsidiary—about $425,000—pared the parent company's healthy profit growth to 1.5 percent for the year. And now?

The streetwise dreamer who founded SOS says the office supply companies of Orlando, Forida should beware: they're his next targets.

CEOs

Charging into the '90s

# Tony Guedes

**Intercontinental Metals**

*Miami, Florida*

By Dory Owens

As firms across the nation march overseas, driven by the globalization of business and events such as the unification of the European market in 1992 and the fall of the Iron Curtain, Tony Guedes is plotting *his* next advances at home.

Mr. Guedes's Intercontinental Metals has been selling metal products such as aluminum sheets and bars to some of the biggest names in the worldwide aerospace and defense industries from its Miami warehouses since 1978. This CEO began by identifying a profitable service niche—customers who needed hard-to-find items and didn't have time to search for them. And he began by building on the contacts he had developed earlier selling metal products for other companies in Latin America and the Caribbean. Rather than investing in inventory at first, he began by acting as a broker, buying metal products from mills as companies placed orders, and reselling them.

Within two years, however, the company began selling in the United States, and saw its domestic sales increase to account for half of total revenues in 1989. Intercontinental Metals posted $2 million in profits on $21 million in sales last year, placing it 147 in the HISPANIC BUSINESS 500. Meanwhile, the focus of Intercontinental's foreign sales shifted to Western Europe, Israel, and the Far East. "That gives us a good balance because if domestic gets slow we can build overseas," Mr. Guedes reasons.

In addition to knowing a good niche when he saw it, Mr. Guedes says he was in the right place at the right time. The defense industry boomed during the Carter and Reagan administrations. And Florida has a major stake in that industry as one of the biggest defense states in the nation following California, Texas, New York, and Massachusetts. Defense spending tripled in Florida during the past decade, and Intercontinental's business with defense contractors and sub-contracts now represents 45 percent of its total sales.

The company's mode of operation soon changed too. It now buys metal from mills in the Midwest and on the West Coast and ships it to Miami by truck. Therein lies the problem—and the opportunity—that shaped Mr. Guedes's near-term priorities. The cost of transporting product from the Miami warehouses to customers in the Northeast, and the inroads his rivals operating near that region are making, have been pinching Intercontinental's profits.

"There is a lot of business that we don't get because of the freight factor," Mr. Guedes reflects. "Customers say, 'Why should I go all the way to Miami when I've got companies in my backyard?' Miami is good for exports to Latin America but it's a long way from the Northeast. And even with the businesses that we are currently serving there, we'll be able to improve our profits because we won't have the high freight costs any longer," he explains.

Although he has always liked to keep his eggs in several baskets, Mr. Guedes feels 1990 will be an especially good year to add a new basket. "The time is now, while we're doing well and can afford to explore a new market and absorb the losses," he says. Although the U.S. economy is sputtering following the longest peacetime expansion in history, and despite some economists' predictions that the country is headed for a recession, this CEO says, "I don't think a recession would affect our business that much because of the growth in commercial aviation."

And, of course, Mr. Guedes is not about to put too many eggs in a new basket either. He will start with a small satellite operation in the Northeast—a 4,000 to 5,000 square foot warehouse—and expand as business grows, he says. "If you go in with a big place to try to impress people and it doesn't work out, it doesn't look good. If you go up—from 4,000 to 10,000—the image is much better."

At the same time, he intends to build further on Intercontinental's base in Miami. His thriving local operation, which employs 35 workers, is literally bursting out of its 20,000 square feet of warehouses. He plans a move in May to a new 30,000 square foot facility, while increasing his staff by one-third. Finally, looking a couple of years down the road, Mr. Guedes wants to beef up his sales effort abroad.

Unlike the managers of many private companies, Intercontinental's CEO has no plans to go public. "Not a chance," he exclaims.

Back in 1978, the year Mr. Guedes founded the company, he claims his family had to push him to make the move from employee to entrepreneur. "I had a good salary and a car. It was a hell of a gamble," he recalls. But the struggle has taught him something. "When you go public there are too many people to answer to. We're small and we're flexible. I can do whatever I want with my life."

*Tony Guedes's strategy for his defense and aerospace industry supply business is to stay geographically diversified and flexible.*